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# **{AT}Organizational Clientelism: An Analysis of Private Entrepreneurs in Chinese Local Legislatures**

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(Accepted at *Journal of East Asian Studies*)

{ABS}Extant literature on authoritarian legislatures argues that dictators set up quasi-democratic institutions to co-opt opposition and attract investors. We argue that dictators also nurture clientelistic ties with social groups useful to their rule, a previously overlooked function of authoritarian legislatures. Drawing on the case of Chinese local legislatures—namely, the local People’s Congress and the local People’s Political Consultative Conference—we find that Chinese local governments use these institutions to channel patronage to and gain political support from the private sector. Field interviews and an analysis of a nationwide firm-level survey show that private firms owned by local legislative members, while obtaining more bank loans, provide more support to the local government in various forms than those owned by nonmembers. This finding suggests that authoritarian legislatures, even those with weak policymaking efficacy, can help authoritarian states build stable alliances with social groups, thereby contributing to regime resilience.

**{KEY}Keywords:** local legislature, organizational clientelism, private firms, state-business relations, authoritarianism, China

Conventionally labeled as democratic institutions, legislatures have nevertheless become common components in authoritarian regimes. Most authoritarian legislatures admit a wide range of participants from outside the ruling body and play a substantial role in politics (Gandhi and Przeworski 2007; Wright 2008). In particular, a large portion of legislative seats goes to private entrepreneurs in countries such as Egypt, Vietnam, and China (Blaydes 2011; Li, Meng, and Zhang 2006; Malesky and Schuler 2010). Extant research has proposed two mutually compatible theoretical explanations regarding why authoritarian rulers admit private entrepreneurs into their legislatures. The co-optation theory views entrepreneurs as inherent advocates of democracy and, accordingly, opponents of authoritarianism. Because legislatures facilitate power sharing, authoritarian rulers can use these institutions to appease those potential challengers (Gandhi and Przeworski 2006, 2007; Geddes 2006; Magaloni 2006; Malesky and Schuler 2010). Another view deems entrepreneurs mainly as owners of resources useful for authoritarian states to promote domestic economic development. By opening up legislative seats to private entrepreneurs and making policy concessions, dictators can credibly signal their willingness to build and maintain a promarket business environment, which in turn attracts investment (Boix 2003; Gandhi 2008; North 1990; Olson 1993).

A central assumption embedded in both theories is that authoritarian legislatures grant substantial and genuine policymaking power to the entrepreneurial legislators (Gandhi and Przeworski 2006). This assumption, however, does not always stand up to empirical examination. For example, Blaydes (2011) and Lust-Okar (2006) find that the elected parliaments in Egypt and Jordan, respectively, do not hold strong policymaking authority. Similarly, the Chinese legislatures, the People's Congress (PC), and, with some conceptual stretching, the People's Political Consultative Conference (PPCC), have fairly weak

policymaking efficacy.<sup>1</sup> Widely viewed as a “rubber stamp,” the National People’s Congress (NPC) at the national level has never vetoed a single law proposed by the ruling Chinese Communist Party (CCP, the Party) and its executive. Despite some notable improvement in the reform decades, the significance of PC and PPCC in policymaking and restriction of the state’s dictatorial power remains marginal. Under such circumstances, what roles can legislatures play other than window dressing? Why are business owners willing to participate in legislatures that offer them little policy influence?

We argue that legislatures also play a role in authoritarian rulers’ management of state-business clientelism. More specifically, they provide organizational platforms on which state officials interact with entrepreneurs, leverage patronage, and enlist supporters to achieve their political goals. We draw on the case of Chinese local legislatures, namely, the local People’s Congress (LPC) and the local People’s Political Consultative Conference (LPPCC) to test this argument. In China, local officials face political imperatives including financing administrative expenditure, accomplishing policy tasks assigned from above, and building “political achievement” projects. The insufficient fiscal revenue has forced them to rely increasingly on external resources to achieve these goals. As a result, local officials have strong incentives to build clientelistic ties with private entrepreneurs and gain the latter’s services and contributions in public affairs. Local legislatures strengthen such clientelistic ties by routinizing the interaction between officials and entrepreneurs, reinforcing mutual trust, and producing relatively stable expectations of reciprocity. We argue that the relationship between officials and private entrepreneurs in Chinese local legislatures constitutes one type of clientelism built on formal organizations. We label this relationship as “organizational clientelism” and argue that it is more stable than ordinary clientelism based on purely

personalized connections.

Empirical analysis based on a nationwide survey of private entrepreneurs supports our argument. Employing a propensity score matching (PSM) method, we show that private entrepreneurs who are also delegates of local legislatures obtain more state-controlled financial resources than nondelegates, but also carry more administrative and policy burdens assigned by local officials, in the forms of funding local administrative expenses, assisting failing state-owned enterprises (SOEs), and providing public goods and services. These findings suggest that compared with ordinary entrepreneurs, those with legislative membership are more tightly integrated into clientelistic networks of local officials.

The theoretical contributions of this article are threefold. First, we add to the emerging literature on how legislatures and other quasi-democratic institutions stabilize authoritarian rule. The conventional view holds that the stabilization effect of authoritarian legislatures requires political and policy concessions from the ruling elites. In our analysis, however, we show that these concessions are not a necessary condition because legislatures can also contribute to authoritarian resilience by consolidating clientelistic relationships between the state and social groups. Second, a large strand of literature in political economy has discussed the multifaceted impacts of legislative membership as well as other types of political connections on the behavior and performance of private firms. Most works in this vein focus on the benefits firms obtain from political connections (e.g., Faccio 2006; Fisman 2001). In our study, by contrast, we show that these connections are not a free lunch for firms. In exchange, firms have to not only pay individual officials with rents and bribes, but also carry a variety of administrative and policy burdens for local governments. In this sense, we focus more on the “price” private firms pay to establish and maintain political connections.

Third, scholars have long studied the ideological impact of legislative membership and find that it tends to strengthen private entrepreneurs' ideological conservatism in China, reflected in their tendency to support the political status quo (Chen and Dickson 2010; Dickson 2003; Pearson 1999; Tsai 2007; Wright 2010). We show that, in addition to ideological congruence, legislative membership also affects the actual behavior of private entrepreneurs, rendering them more supportive to the state's administrative and policy agenda.

We organize the rest of the article as follows: We first introduce the Chinese local legislature, with the emphasis that the selection of legislative members is under the tight control of the local state. We then discuss the clientelistic relationship between local officials and private entrepreneur delegates, explain why local legislatures contribute to the establishment and maintenance of the clientelism, and propose two theoretical hypotheses. Next, we test these hypotheses using firm-level survey data, check for robustness, and discuss the findings. The last section is a conclusion.

## **{A}The Chinese Legislatures**

Legislatures exist in a wide range of authoritarian regimes, including hegemonic/single-party dictatorships, personalist and military regimes, and even monarchies (Gandhi 2008).

Legislatures in different authoritarian countries, however, vary tremendously in professionalism, the role they play in policymaking, and the procedure adopted for membership selection. For example, the Malaysian legislature is composed of professional legislators elected through competitive elections. In contrast, legislatures in monarchies are typically less competitive and under tighter control of the state (Wright 2008).

Chinese legislatures at the national level, the NPC and Chinese People's Political

Consultative Conference (CPPCC), are composed of part-time delegates who attend plenary meetings on an annual basis. During plenary sessions, NPC deputies review government work reports, submit policy proposals, and vote on draft laws prepared by the central government. They also vote on the candidates for cabinet positions in the central government, including the premier and top bureaucrats. In contrast, the CPPCC, which is “somewhat analogous to an advisory legislative upper house” (Li, Meng, and Zhang 2006, 562), mainly plays a consultative role. Committee members of CPPCC are responsible for providing the Party and the government with policy advice on major social, political, and economic issues. Moreover, both the NPC and the CPPCC have the right to supervise government performance and law enforcement.

Below the national level, the LPC and LPPCC are situated at each of the four subnational levels, with functions paralleling their national counterparts. The functions of LPCs are law and policymaking, leadership selection, and the supervision of administrative performance in their jurisdictions, while LPPCCs play a mainly consultative and supervisory role.

Despite notable development during the reform period, particularly at the local level, the policy role of the PC and PPCC remains marginal and subordinate to the party-state.<sup>2</sup> Many policies in China take the form of government mandates instead of formal laws and statutes, allowing Party and government leaders to bypass legislative procedures in their formulation. Even for formal laws and statutes, only a small portion were proposed and drafted by the standing and professional committees of the PC, and they were submitted to legislative approval only after the endorsement of Party and government leaders. At the stage of final vote, ordinary deputies have rarely challenged the decisions of the party-state

(O'Brien 2009), and even the limited instances of assertiveness seem to have declined in the past decade compared with the 1990s (Manion 2008). In summary, the NPC and the majority of LPCs remain "pliant and passive" (O'Brien 2009, 132), while the political significance of PPCCs at various levels is even lessor.

The selection of PC members is under tight control of the party-state (O'Brien 1994), and deputies in general lack electoral connections with constituents (Dickson 2008; Xia 2008). While the "Electoral Law of NPC and LPCs of the People's Republic of China" (hereinafter called the Electoral Law) requires that deputies at or below the county level be directly elected, it fails to specify many details regarding the electoral process, while leaving plenty of room for the manipulation of governments and Party officials. For example, although the Electoral Law allows for the nomination of preliminary LPC candidates by a group of voters or even self-nomination, local state authorities often dominate the actual nomination process. Thus thwarted by the local government, few "independent candidates" can successfully emerge from the initial nomination process.<sup>3</sup> Furthermore, after preliminary candidates are nominated, each electoral district determines the final list of candidates in the last round of the election through "deliberation (*yunnian*), discussion (*taolun*), and negotiation (*xieshang*) by voter groups in the electoral district" (Electoral Law, Article 31). However, the law fails to elaborate who those "voter groups" should be and how the procedure of "deliberation, discussion, and negotiation" should be conducted. This institutional vagueness leaves extra room for the local state to influence the delegate selection and ensure that only candidates it supports get elected.

The Party's control over the selection of PPCC members is even stronger, given the absence of an even nominal electoral process. For example, candidates for LPPCC positions



are often “handpicked” by leaders of minority political parties, administrative units, and social organizations and associations, all of which are closely tied to the local party-state. The recommended candidates also need the final approval of local Party committees, further weakening the autonomy of LPPCC members (Yan 2011, 61).

The lack of an independent power base dramatically undermines the representation of delegates and their ability to constrain the dictatorial power of the party-state. On the one hand, although some delegates do occasionally respond to citizens’ requests and contribute to public services, no institutional mechanisms exist to ensure such effort. In addition, as we discuss subsequently, even those seemingly civic-minded behaviors are often driven by the motivation to respond to the government’s call for cooperation and to signal loyalty to officials. On the other hand, although some LPCs and LPPCCs are quite vocal in plenary sessions, the majority of them remain pliant. The combination of weak policymaking power and strong Party control leads to an asymmetric power relationship between the local party-state and the local legislatures. This feature, as we elaborate next, turns LPCs and LPPCCs into organizational tools for local officials to establish clientelistic ties with the private sector.

### **{A}Organizational Clientelism: Theoretical Analysis and Hypotheses**

The concept of clientelism typically refers to a dyadic relationship characterized by a combination of particularistic targeting and contingency-based exchange (Hicken 2011). We follow Scott (1972, 92), who defines a clientelistic relationship as “a special case of dyadic (two-person) ties involving a largely instrumental friendship in which an individual of higher socioeconomic status (patron) uses his own influence and resources to provide protection or

benefits, or both, for a person of lower status (client) who, for his part, reciprocates by offering general support and assistance, including personal services, to the patron.” In a democracy, the concept is often used in the context of relationships between politicians and the poor, with votes as a medium. However, clientelistic relationships also exist pervasively between state actors and business elites in both democracies and dictatorships. For example, authoritarian regimes in Indonesia, Malaysia, and the Philippines have all witnessed strong clientelistic ties between high-ranking political elites and businesspeople (Evans 1995; Pepinsky 2009). In South Korea, money politics involving big business has prevailed both before and after democratization, constantly shaping the institutional design and policy choices of the new industrialized economy (Kang 2002; Nam 1995). Even in relatively mature democracies such as the United States, substantial exchange of funds and favors between politicians and business groups occurs at both the federal and local levels (Toinet and Glenn 1982).

Students of post-Mao China have long noticed the existence of the clientelistic relationship between government officials and private business owners, particularly at the local level (e.g., Liu 1992; Ong 2012; Pearson 1999; Wank 1996). These clientelistic relationships build on informal connections, or *guanxi*, between individual officials and entrepreneurs and have important impacts on the evolution of the Chinese local political economy. On the one hand, they help firms overcome the hostile political environment and obtain bureaucratic resources necessary for survival and further development. On the other hand, they also lead to perverse consequences, such as illegal stripping of state assets and rampant corruption.

The literature on state-business clientelism in China, however, tends to conceptually

equate such clientelistic relationships with rent-seeking behaviors. In other words, they mostly focus narrowly on the exchange between bureaucratic power and personal material gains in the form of rents and bribes. In our study we instead argue that clientelism between officials and business owners means more than just bribery and meets broader needs than personal material ones. In addition to rents and bribes, clientelism helps officials gain political support in various forms. For example, officials often demand firm owners' contributions in public affairs, such as reducing local unemployment, aiding SOEs, and sponsoring public projects. Firms may also be asked to provide funds for the functioning of local administrations (Lu 2000).<sup>4</sup>

Unlike in democracies in which politicians engage in patron-client networks to induce electoral support, local officials in China face political imperatives that are nonelectoral in nature. As local agents of a single-party state, they are required to carry out policy tasks handed down from upper-level Party committees and governments. These tasks include promoting economic and fiscal revenue growth, boosting local employment, maintaining social stability, managing local SOEs, providing public goods and services, and so on. The Party's cadre management system, or *nomenklatura*, exerts a tremendous pressure on local officials in the carrying out of these policy tasks. Local officials are evaluated based on their performance in the accomplishment of these policy tasks. Results of the evaluation are related to local officials' political future, especially their political advancement in the Party hierarchy (Edin 2003; Landry 2008; Manion 1985).

Facing these political imperatives, local officials are nevertheless constrained by the lack of administrative or fiscal resources and therefore are motivated to seek support from the resource-affluent private sector. The fiscal reforms in the 1990s, in combination with the

rapid decline of local SOEs' profitability, have greatly eroded Chinese local governments' fiscal capacity (see Tao and Yang 2008; Yang 2006). Under such circumstances, local officials often need to mobilize social resources, particularly from the private sector, to finance the implementation of their policy tasks. One way to achieve the goal of resource mobilization is by trading bureaucratic power with various forms of contribution from entrepreneurs through clientelistic lines. Our interviews confirmed the importance of private firms' support in local officials' political agendas. As a vice chairman of the LPC in a northeastern city bluntly stated, "All our leaders rely on the help of a few big bosses (*dalaoban*) behind the scene. Without their support, it would be impossible to obtain significant [political] achievements."<sup>5</sup>

Not surprisingly, private firms also benefit from the clientelistic relationship with local officials, especially in an uncertain political environment that discriminates against private business (Faccio 2006; Huang 2003). Empirical studies based on authoritarian countries, such as Indonesia and Malaysia, and even democracies, such as Britain and Hong Kong, have all shown the important impact of political connections on firms' profitability (Eggers and Hainmueller 2009; Ferguson and Voth 2008; Fisman 2001; Johnson and Mitton 2003; Wong 2010). In the case of China, Kung and Ma (2011) find that the number of "friends" in the local government correlates positively with firms' performance, especially in localities with weak enforcement of property rights and the rule of law. Li, Meng, Wang, and Zhou (2008) and Tsai (2007) also find that political connections boosts firms' chances of getting bank loans and other types of government investment.

Clientelistic ties typically build on informal connections, such as personal interactions, kinship, and simple instrumental reciprocity. A key feature of these connections

is that they involve voluntary exchange between patrons and clients, and therefore no binding contract exists to guarantee that both parties will fulfill the duties they have promised. As a result, commitment problems can occur when exchanges do not take place simultaneously, which could potentially undermine the clientelistic relationship (Protsyk and Matichescu 2011). In the Chinese context, splits are plenty between private entrepreneurs and their patrons in the government due to one or both parties' failure to fulfill their duties.<sup>6</sup> Compared with officials, private entrepreneurs are more vulnerable and therefore more concerned with being cheated or betrayed. Even if they could maintain a long-term “friendship” with individual officials through bribery, the relationship could be shaky, especially when these officials lose influence or rotate to other localities. For example, a businessman we interviewed in Yunnan remarked that entrepreneurs are uncertain about “whether payments [to officials] will eventually pay back or simply be a waste (*dashuipiao*).”<sup>7</sup> Local officials face the same commitment problem. Because they are not always able to provide patronage with immediate benefits, how to leverage relatively stable flows of support from private entrepreneurs poses a challenge for their management of clientelistic ties.

A stable and persistent clientelistic relationship requires mutual trust and iteration of interactions and, preferably, a formal organization that incorporates both the patron and the client and binds their behaviors (Clapham 1982; Hicken 2011). We argue that Chinese local officials rely on the local legislature to develop and sustain their ties with the private sector, thus forming a kind of clientelism that builds on formal organizations, or what we call “organizational clientelism.” Local legislatures are useful because they provide platforms that allow officials and entrepreneurs to interact regularly, thus reinforcing mutual trust and

producing iterations of exchange. Plenary sessions and other activities organized by local legislatures, such as banquets, visits, and tours, all provide opportunities for private entrepreneurs to socialize with leading local officials who are often legislative members of their localities as well. Some localities also set up a service center so that delegates can meet with local officials on a regular basis, discuss difficulties firms face in business, and request assistance from the government.<sup>8</sup> Similarly, when local officials need political support from entrepreneurs, they also convene meetings of legislative members for information, consultation, and most importantly assistance.

Local legislatures also enable officials and entrepreneurs to form relatively stable expectations of cooperation. The five-year tenure of membership constitutes an institutional basis for longer time horizons. Through legislative participation, entrepreneurs can also broaden their clientelistic ties among the corps of local officials to reduce the potential negative impact of losing patronage when the individual official they rely on defects or loses influence.

Local legislatures also offer credibility to the clientelistic relationship by providing entrepreneurs with some degree of de jure and de facto protection of property rights and personal safety, which are deemed important in an uncertain political environment (Wank 1996). Chinese laws and administrative decrees grant legislative members with some degree of legal immunity (*xingshi huomian quan*),<sup>9</sup> which requires arrests or prosecutions to be first approved by the standing committee of the corresponding legislative organ (i.e., LPC or LPPCC).<sup>10</sup> These stipulations, though unable to protect entrepreneurs from all criminal charges, indeed make the process of arresting them more complex in procedure and more costly in politics. Because criminal charges are a common tool local governments use to prey

on private firms, the legal immunity embedded in legislative membership greatly reduces entrepreneurs' feeling of insecurity.

Thus, we theorize that local legislatures formalize officials' clientelistic ties in the private sector and help them induce more stable political support. We further argue that officials can employ legislatures to achieve this goal because they are able to manipulate and even control the selection process of legislative members. As previously discussed, both the election of PC deputies and the appointment of PPCC committee members are subject to the endorsement of the local party-state. As a result, officials can place loyal followers into legislatures and remove those who do not comply. Our interviews suggested that many legislative delegates are unwilling to challenge the decisions of local officials or to defy their mandates and instructions from fear of losing patronage. As a county-level official in Henan province commented, "In any case, private entrepreneurs in LPC and LPPCC are still inferior to local officials. They have to appeal to the need of officials to maintain the preferential treatments and privileges they have obtained."<sup>11</sup>

In summary, we argue that local legislatures in China provide an organizational platform for local officials to develop and maintain clientelistic ties with business owners. Because legislative membership means a tighter integration into the clientelistic network of local officials from the perspective of entrepreneurs, we expect it to affect firm behaviors, in particular their access to state-controlled resources and the political support they provide to local officials. We operationalize the argument through the following two theoretical hypotheses:

**{HYP}***Hypothesis 1: All else being equal, private firms owned by legislative delegates obtain more state-controlled resources than those owned by nondelegates.*

***Hypothesis 2:*** *All else being equal, private firms owned by legislative delegates carry more administrative and policy burdens from the local government than those owned by nondelegates.* {/HYP}

We use administrative and policy burdens to represent the political support private firms provide to their patrons in the local government. Such burdens may take various forms, including paying for government consumption and public projects, assisting local SOEs in trouble, employing more local residents, and so on. For example, an LPC deputy in Jiangsu province gave 2 million yuan to the local township government to build a new kindergarten. He also spent some 10 million yuan on building local infrastructural projects, including a sewage treatment facility and some roads for remote villages.<sup>12</sup> Another LPC deputy in Hunan province donated 1 million yuan to the county government to increase the public expenditure on services such as education and public health.<sup>13</sup> Our fieldwork suggests that entrepreneurs do these charity works mainly because the local officials want them to do so. For example, the president of a real estate company in Tianjin, who was also an LPPCC member, provided the blueprint of a small town he was developing in a suburban area of Tianjin. He stated that the project was not intended to make any profit but was mainly a response to the local government's call for urbanization of small townships.<sup>14</sup> An entrepreneur delegate vividly described his behavior of donating for public projects and services as "alleviating pains of the government" (*wei zhengfu fenyong*).<sup>15</sup>

Firm owners do not always volunteer to assume administrative and policy burdens from the local government; rather, they are often compelled to do so by local officials in the form of mandatory apportioned charges (*tanpai*). A typical practice of collecting apportioned charges is that local officials convene a meeting (*zuotan hui*) with private entrepreneurs to discuss government difficulties, especially the lack of funds in necessary administrative



expenditures and the provision of public goods and services. During the meeting, entrepreneurs need to declare (*biaotai*) how much money they will spend on these expenditures or projects. For example, a county government in Shaanxi province held a meeting with local legislative delegates among coal mine owners and asked them to “voluntarily” provide funds for education and public health services. In essence, this “voluntary” contribution was undoubtedly compulsory given the enormous pressure local governments exerted on firm owners and the reliance of the coal mining industry on state resources and protection.<sup>16</sup>

In addition to public goods and services, local officials need entrepreneur delegates to carry other administrative and policy burdens, including reimbursing government purchase and consumption, aiding poorly performing SOEs, and reducing local unemployment (*baojiu*). For example, when local officials treat important guests to fancy dinners and other entertainment activities, they often “invite” their entrepreneur “friends” to attend and, more important, to pay the bill. Li Yining, a renowned Chinese economist, also pointed out that this type of “public relation fee” had become the largest burden of Chinese private firms.<sup>17</sup> Our interviews also suggested that private entrepreneurs might even become local officials’ “pocketbook” to pull bribes for political promotions.<sup>18</sup> Local officials also rely heavily on private firms to provide assistance to nonperforming SOEs in their jurisdictions. Constrained by limited fiscal budgets, officials often require enterprises to revitalize state assets and unload on them a series of burdens originally carried by local SOEs, such as payment to laid-off workers, living and medical expenses of employees, and huge amounts of debt owed by SOEs.<sup>19</sup> Entrepreneur delegates also help the local government boost the local employment rate and maintain social stability by hiring more local employees. During the

global economic recession in 2008, many national and local entrepreneur delegates publicly committed not to lay off employees, as a response to the central and local governments' call to maintain employment. A recent empirical study based on firms listed on the Chinese stock market also finds that firms owned by legislative delegates hire more employees than firms without such political connections (Liang and Feng 2010). In the next section, we use data from a survey of private firms to conduct a more rigorous test of our theoretical hypotheses.

### **{A}Empirical Analysis**

The data we use come from a nationwide survey of private firms conducted in 2006 jointly by the All-China Federation of Industry and Commerce (ACFIC), the Chinese Academy of Social Sciences (CASS), the State Administration of Industry and Commerce (SAIC), and the United Front Work Department (UFWD) of the Central Committee of the CCP. The appendix describes the survey in greater detail and discusses its potential drawbacks. The survey collected information on 3,837 firms from thirty-one provinces. Because most questions contained some missing responses, we kept only 3,036 observations in which data on basic financial indicators (e.g., sales revenue, total number of employees) were available.<sup>20</sup>

The two main dependent variables are firms' access to state-controlled resources and administrative and policy burdens they undertake for local governments. We use the amount of outstanding loans a firm held at the end of 2005 to measure access to state-controlled resources.<sup>21</sup> Because Chinese banks are all owned or, in the case of those publicly traded in the stock market, controlled by the state, local officials can exert strong influence on loan distribution. Bank loans, therefore, to a great extent reflect the financial support firms obtained from the local government.<sup>22</sup> We use two indicators to measure administrative and

policy burdens. First, we use information on three types of firm expenditures: apportioned charges by local governments (*tanpai*), public relations and entertainment fees (*gongguan zhaodai fei*), and donations (*juanzeng*). As discussed earlier, these three types of expenditures are major ways firms contribute to local administrative spending and public affairs. By summing up the three types, we obtain a comprehensive indicator for burden expenditures.<sup>23</sup> Second, we use the survey question, “In the past few years, have government officials asked your firm to acquire an insolvent (*zibu dizhai*) SOE?” to measure the potential burden of assisting failing SOEs.<sup>24</sup>

The key independent variable is the legislative membership of private entrepreneurs. The survey asked firm owners whether they were LPC deputies or LPPCC committee members. For the baseline model, we code the variable as 1 for firms owned by LPC deputies or LPPCC committee members and 0 otherwise. Among the 3,036 effective samples, 421 (13.9 percent) were LPC delegates and 619 (20.4 percent) were LPPCC committee members. Another 214 (7.0 percent) firm owners served both posts concurrently. In total, legislative members accounted for 41.3 percent of the sampled entrepreneurs, a figure similar to those reported by other scholars (e.g., Chen and Dickson 2010).

We employ a PSM method to estimate the effects of legislative membership on firms’ bank loans and burdens. The motivation for using this method is that firms owned by delegates and nondelegates may differ in many aspects, including size, industry, firm history, and the personal characteristics of owners. The PSM method tries to establish matches between the treatment group (firms owned by legislative delegates) and the control group (firms owned by nondelegates), from a propensity score estimated on the basis of relevant covariates, or control variables. In other words, for each firm in the treatment group, we find

a similar firm in the control group, thus placing the comparison in a more rigorously controlled context.

One advantage of the PSM method over the conventional ordinary least squares (OLS) method is that it does not require the specification of the functional form (Rosenbaum and Rubin 1983). For example, we predict that firms owned by legislative members can obtain more bank loans than those owned by nonmembers. However, a variable lurking behind the relationship might be the size of the firm, because larger firms are more likely to gain both legislative membership and bank loans. The OLS method can control for firm size by assuming that the impacts of firm size on both legislative membership and bank loans are linear or in any other specific functional form. However, if the assumption does not hold true, the estimation is likely to be biased. Instead of making assumptions on functional forms, the PSM method matches cases similar in firm size and all other variables but different in legislative membership, thus making the results more reliable.

The most crucial step in the implementation of the PSM method is to find appropriate covariates to estimate the propensity score. Following existing literature, we use several variables at both firm and entrepreneur levels as covariates (Chen and Dickson 2010; Dickson 2008). Firm-level variables include firm size (measured by the total sales revenue and the total number of employees in 2005) and the historical ties between the sample firm and the local government of its locality (measured by a binary variable indicating whether the firm was transformed from an SOE).<sup>25</sup> We also control for the industry of the firm's primary business.<sup>26</sup> At the entrepreneur level, we control for firm owners' political backgrounds, measured by CCP and minority party membership and a binary variable indicating whether owners used to be government officials. We also control for entrepreneurs' education

attainment (whether holding a college degree) as a proxy for individual human capital.

Running a probit model using legislative membership as the dependent variable, we find that total number of employees, CCP membership, membership of any of the eight minor democratic parties, and entrepreneurs' education attainment and former official status are useful predictors of legislative membership. Therefore, we use these five variables as covariates of matching.<sup>27</sup> Table 1 provides a statistical summary for all variables.

{Table 1 about here}

Table 2 reports the results for the postmatch comparison between firms owned by legislative members and nonmembers. The first three rows show the results based on matching industries. In other words, we only allow cases to match each other within the same industry. The last three rows relax this restriction. On average, firms owned by legislative members obtain 2,893,000 to 3,638,000 yuan more in bank loans than those owned by nonmembers, conditional on the similarity between the two types of firms in other characteristics.<sup>28</sup> They also spend 33,400 to 111,000 yuan more on burden expenditures, including apportioned charges by local government, public relations and entertainment, and donations. Local governments are also more likely to ask legislative entrepreneurs to acquire insolvent SOEs.

{Table 2 about here}

To check how successfully the PSM method matches firms from the two groups, we conduct a covariate balance test. Table 3 shows the comparison in the major covariates between the two groups, both before and after matching. In general, firms owned by legislative members are larger than those owned by nonmembers, and members are also more likely to be CCP/democratic party members and college graduates. These differences are

statistically significant, suggesting that systematic differences exist between the treatment group and the control group before the matching. However, all these differences disappear after the matching. For example, firms in the postmatch control group hire 298 employees on average, only slightly and insignificantly smaller than the average of 330 employees for firms in the treatment group. Overall, the PSM method performs well.

{Table 3 about here}

We also conduct additional robustness checks. First, the baseline model pools across LPC and LPPCC delegates and ignores the potential differences between the two types of legislatures. We thus estimate a model separating LPC and LPPCC delegates to determine whether the hypothesized arguments hold for both. Table 4 reports the results, which show that both LPC and LPPCC delegates obtained more loans and carried more burdens than ordinary firms. LPC membership has larger effects, suggesting that the LPC plays a more important role than the LPPCC in local officials' clientelistic networks.

{Table 4 about here}

Second, the data on bank loans and firms' administrative and policy expenditures include a few extremely large values, leading to concern about outliers. We employ three alternative strategies to address this concern. First, we match each observation in the treatment group with the three most similar observations in the control group and compare it with the average of the three (also known as multiple matching). Second, for both bank loan and burden variables, we use their percentiles in the sample distribution instead of absolute values as the dependent variable. For example, percentiles for firms with zero bank loans are 0, and those for firms with the largest amount of bank loans in the sample are 100. This normalization binds the range of the dependent variables between 0 and 100, making the

results less sensitive to outliers and measurement error. Third, we code two binary variables (i.e., whether a firm had outstanding bank loans and whether it spent any money as contributions to the local government, both in 2005) as alternative measures. Among the 3,036 firms, 54.1 percent reported holding bank loans, and 92.4 percent reported burden expenditures.

Table 5 shows that the results for the multiple-matching strategy are highly consistent with the baseline approach in both magnitude and statistical significance. Table 6 presents the results for comparisons in percentile. Conditional on the control variables, being a legislative member boosts a firm's bank loans by approximately 7.8 percentiles and its policy burden expenditure by approximately 5 percentiles. The third to sixth rows of Table 6 also show that our hypotheses hold for both the LPC and the LPPCC. As Table 7 shows, delegate firms have a 9.8 percent higher probability of reporting holding bank loans than nondelegate firms, and the difference is statistically significant. The difference for burden expenditures is 1.7 percentage points, but not significant. This is probably because only 7.6 percent of firms reported no burdens of any kind, leading to a too-small variation in the dependent variable.

{Tables 5, 6, and 7 about here}

Third, *tanpai*, public relations and entertainment fees, and donations may have different sources and meanings in China. Therefore, we also treat the three types of expenditures separately. Table 8 reports the results of these alternative specifications as a robustness check for the baseline model. The results show that delegate firms spend more on all three types of burden expenditures, further confirming the hypotheses. Finally, Table 9 shows that the OLS models generate consistent results with the PSM models.

{Tables 8 and 9 about here}

In general, our empirical analysis robustly confirms both hypotheses. The positive correlation between firms' legislative membership and the magnitude of their exchanges with local officials suggests that delegate entrepreneurs are more likely to be core members in local officials' clientelistic networks. However, statistically, we cannot directly test the more nuanced mechanisms proposed earlier regarding how local legislatures strengthen state-business clientelism, which could be a task of future research.

## **{A}Conclusion**

Existing literature has identified two major functions of authoritarian legislatures: co-opting opposition and attracting investment necessary for economic growth. In this study, we argue that legislatures also constitute an organizational platform for authoritarian rulers to develop and sustain clientelistic ties with selected social groups, particularly business owners.

Drawing on the case of local legislatures in China, we test this argument by analyzing the impacts of legislatures on the clientelistic relationship between government officials and private entrepreneurs. From a combination of interviews, media reports, and a firm-level survey, the empirical analysis finds that compared with ordinary private firms, firms owned by legislative delegates obtain more loans from state-controlled financial institutions, but also carry more administrative and policy burdens from the local government. These findings establish private entrepreneurs with legislative membership as both important patronage recipients and political supporters, thus confirming the key role of legislatures in the clientelistic networks of local officials.

Our analysis has important implications for the government-business relationship in



contemporary China. First, it confirms the shifting economic role of local states from a developmental one to a clientelistic one (Hillman 2010; Ong 2012). Local officials channel state resources and other preferential treatments to connected firms in exchange for political and material benefits. In this process, resource allocation is based on clientelistic ties rather than efficiency. Private firms invest heavily in nurturing such ties with local officials through both bribery and contribution to the implementation of various policy tasks. From a comparative perspective, the government-business relationship in today's China resembles the crony capitalism widely witnessed in many East and Southeast Asian countries, such as Japan, South Korea, and the Philippines. The difference is that politicians in those countries mainly demand campaign funds and votes, while Chinese local officials are in greater need of other types of administrative and political support.

Second, our analysis suggests that one cannot simply boil government-business clientelism down to rent seeking. To be sure, competition among firms for state patronage and resources has bred numerous rent-seeking opportunities for local officials. In some cases, private entrepreneurs bribe local officials heavily for the nomination of LPC or LPPCC membership.<sup>29</sup> Yet payments from private entrepreneurs do not always enter the pockets of local officials. Pressured by the cadre-management system that emphasizes the importance of administrative performance in the evaluation of officials, Chinese local officials also need assistance from private firms to finance local administrative expenditures, public projects, and services, as well as to accomplish various policy tasks from higher-level governments. Thus, beyond the corrupt collusion between entrepreneurs and individual officials, organizational clientelism is also employed to serve at least some administrative and policy purposes. In this sense, legislatures are a helping hand for Chinese leaders to attract reliable

cooperators in governance, expand administrative and political resources, and, to some extent, stabilize the authoritarian rule of the CCP.

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## **{A}Appendix**

The Survey on Privately Owned Enterprises in China used in this study was jointly conducted in 2006 by the All-China Federation of Industry and Commerce (ACFIC), Chinese Academy of Social Sciences (CASS), the State Administration of Industry and Commerce (SAIC), and the United Front Work Department (UFWD) of the Central Committee of the CCP. It is the most recent survey among a series of similar ones conducted by the same team every two or three years since the 1990s. We obtained the survey data from the University Service Center at the Chinese University of Hong Kong. A description of the survey is available on the center's website ([www.usc.cuhk.edu.hk/DCS/DCS31-16.aspx](http://www.usc.cuhk.edu.hk/DCS/DCS31-16.aspx)). According to the description, the survey pooled across two samples, one sample (1,536 firms) obtained from the fixed observation points of the SAIC and the other (2,301 firms) randomly selected from the population of all private firms as of 2005. For the random sample, a proportionate stratified sampling method was employed on the strata of the thirty-one provincial units in China. In total, the survey collected data on 3,837 firms.

The survey includes the following indicators: (1) firm size, status of development, organization, and operation; (2) management system and decisionmaking style; (3) socioeconomic background of enterprise owners; (4) social mobility and network of owners; (5) source and composition of employees and employee-employer relationships; (6) self-assessment by owners and political and social participation; and (7) income, expenditure, and assets of owner.

Several apparent drawbacks of the survey deserve further discussion. First, it is not a purely representative sample, because a portion of it comes from the SAIC's fixed

observation points. Second, because the ACFIC was a major organizer, the sampling seems skewed toward ACFIC members, which are also more likely to be PC or PPCC members. We found that the proportion of ACFIC members in the sample was indeed higher than at the national level. Last, the survey included a nontrivial portion of missing values in most financial indicators, decreasing the sample size available for empirical analysis.

Despite these drawbacks, the survey is informative in general and, to the best of our knowledge, the only one of its kind available for public use. Extant studies have published fruitful findings based on it (e.g., Li et al. 2008; Li, Meng, and Zhang 2006). Our use of a PSM approach may also help alleviate some concerns. That being said, we admit the limitations of the data and claim that our findings are suggestive rather than conclusive.

#### **{A}Notes**

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1 Strictly speaking, only the PC is a legislature in the conventional sense because it has formal policymaking power. In contrast, the PPCC is mainly a consultative body, established to help the ruling CCP govern. In this study, we downplay such a difference and use the term “legislature” to denote both PC and PPCC in China, acknowledging a potential conceptual stretch. We believe this strategy is innocuous because our theory is built on the organizational rather than functional features of these legislative or quasi-legislative institutions. Empirically,

we treat PC and PPCC separately in one model to show that the pooling strategy does not affect the robustness of the results. We thank a reviewer for noting this important issue and suggesting the clarification.

2 The purposes of the PC and PPCC are mainly lawmaking and overseeing government performance. For example, LPCs once vetoed a court work report in Shenyang and refused to ratify several bureau directors in Guangdong. For recent developments of local PCs, see, for example, Cho (2009), Manion (2008), O'Brien (2009), and Xia (2008).

3 The term *independent candidates* refers to candidates whose nomination meets the requirement of the Electoral Law but fails to obtain endorsement from local governments.

Independent candidates often include those who are self-nominated or nominated by ordinary citizens, as opposed to those nominated by local Party committees, government agencies, and social groups (*renmin tuanti*) associated with the local state authority. For example, among the hundreds of independent candidates for the most recent LPC election in Beijing, only one was listed as a formal candidate in the last round. None were elected. See

<http://magazine.caixin.cn/2011-11-11/100325238.html> (accessed November 16, 2011).

4 We thank Stephan Haggard for his comment on whether an equilibrium rate of support that private sector actors have to offer to officials exists. There may exist some bargaining between local officials and delegate entrepreneurs, and the bargaining power of the two sides may vary by locality. This would be a complicated puzzle for another research project.

5 Interview conducted in Heilongjiang, January 2012.

6 One such example can be seen in the report "Brothers' Split: The Story Behind Lan Shili's Accusation of the Vice Mayor of Wuhan Yuan Shanla," *Southern People Weekly*, September

2011. See [www.nfpeople.com/story\\_view.php?id=1840](http://www.nfpeople.com/story_view.php?id=1840) (accessed July 23, 2013).

7 Interview conducted in Yunnan, August 2012.

8 Interview conducted in Yunnan, August 2012.

9 Granting legal immunity to legislators is not unique to China. A similar practice also occurs in other authoritarian states, such as Egypt. For details, see Blaydes (2011).

10 Article 30, “Zhonghua renmin gongheguo quanguo renmin daibiao dahui he defang geji renmin daibiaodahui daibiaofa” [Law of the People’s Republic of China on delegates of the national and local People’s Congresses], [www.law-lib.com/law/law\\_view.asp?id=555](http://www.law-lib.com/law/law_view.asp?id=555) (accessed November 15, 2011); Articles 141–144, Ministry of Public Security, “Gongan jiguan banli xingshi anjian chengxu guiding (xiuzheng)” [Procedural regulations (revised) for the handling of criminal cases by public security organs], [www.mps.gov.cn/n16/n1282/n3493/n3823/n443822/1517633.html](http://www.mps.gov.cn/n16/n1282/n3493/n3823/n443822/1517633.html) (accessed November 15, 2011).

11 Interview conducted in Henan, July 2012.

12 See [www.rd.suzhou.gov.cn/zzdisp.asp?id=189](http://www.rd.suzhou.gov.cn/zzdisp.asp?id=189) (accessed November 15, 2011).

13 See [www.czef.org/shownews.asp?id=600](http://www.czef.org/shownews.asp?id=600) (accessed November 16, 2011).

14 Interview conducted in Tianjin, June 2011.

15 See <http://wlnews.zjol.com.cn/wlrb/system/2011/02/24/013313666.shtml> (accessed November 15, 2011).

16 See <http://gongyi.163.com/special/0093sp/shanxibeiJuanmen.html> (accessed November 15, 2011).

17 See <http://mea.pku.edu.cn/13/2012-07-01/4052.html> (accessed December 19, 2012).

18 Interview conducted in Heilongjiang, January 2012.

19 See [www.china.com.cn/chinese/EC-c/12207.htm](http://www.china.com.cn/chinese/EC-c/12207.htm) (accessed December 10, 2012).

20 Other variables, particularly apportioned charges, donations, and public relations and entertainment fees, also have nontrivial proportions of missing responses. Therefore, the total observations in models explaining different dependent variables are smaller than 3,036.

21 The bank loan indicator measures the amount of loans a firm held at the end of 2005, rather than the amount obtained in 2005. One could argue that loans held at the end of 2005 were obtained before the firm owner became a legislative member. Although we recognize such a possibility, we do not think this is a very serious problem for our research. The reason is that the last local legislature election year before the survey was 2002, four years before the survey. Thus, firm owners in the data set should have become legislative members by then. Because it is rare for private firms to obtain bank loans with a term longer than four years (most long-term loans go to SOEs and state-sponsored projects), we believe that the majority of loans private firms held at the end of 2005 were borrowed after the firm owners gained legislative membership.

22 The term *bank* used here actually refers to all state-owned financial institutions, including state-owned banks, city commercial banks, and credit cooperatives.

23 One might argue that public relations and entertainment fees include not only reimbursement for government consumption and tributes paid to local officials but also the firm's private consumption unrelated to the local government. We admit that this is a legitimate concern. To address this problem, we also specify an alternative model using only the sum of the apportioned charges and donations as the dependent variable. The main results

the sum of the apportioned charges and donations as the dependent variable. The main results still hold.

24 One might argue that acquiring insolvent SOEs enables private firms to obtain high-quality assets at discounted prices; therefore, they should be counted as benefits rather than burdens to private entrepreneurs. We argue that the concern with profitable asset stripping should not affect our analysis for three reasons. First, the wording of the survey question explicitly indicated that the target SOEs were in insolvency (*zibu dizhai*), thus emphasizing that the acquisition should be unprofitable at book value. Second, acquisition of SOEs often means that recipient firms need to arrange the settlement for employees of the target firms, which becomes another financial burden for private firms. Third, empirically, we also coded a new dependent variable indicating that local governments asked private entrepreneurs to acquire insolvent SOEs but were rejected. More specifically, the new variable equals 1 if both acquisition request and rejection occurred and 0 if otherwise. Because rejection by private entrepreneurs typically indicates that the acquisition deal is unprofitable, we are more confident that the variable captures burdens rather than benefits. The main results do not change under this alternative specification.

25 A better indicator of firm size is total firm assets. However, the survey does not collect this information, and thus we use total sales revenue and total number of employees as alternative indicators.

26 The full list of industries includes agriculture (i.e., farming, forestry, livestock husbandry, and fishing), mining, manufacturing, energy (i.e., electricity and gas), construction,



infrastructure, transportation, restaurant/retail, finance/insurance, real estate, social services (e.g., residential services, renting), culture, education/public health/sports, and science/technology.

27 The main results do not change if we use all covariates instead of the five significant ones as the basis of matching.

28 Three firms have significantly larger bank loans than the rest, and two of the three are owned by legislative members. We removed the three cases from the models of Tables 2 and 5 but add them back when we use percentile rather than value as the dependent variable in Table 6, because percentile is less sensitive to outliers.

29 See <http://fanfu.people.com.cn/GB/10728079.html> (accessed November 18, 2011).

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**Table 1 Statistical Description of Variables**

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
<b>Firm level</b>					
Total sales revenue in 2005	3,036	4,792.72	17,935.14	0.1	391,081
Employees in 2005	3,036	190.01	549.53	1	11,500
Former SOE status	3,036	0.06	0.24	0	1
Asked to acquire SOEs	3,036	0.06	0.02	0	1
Bank loans	2,639	627.48	3,821.33	0	101,311
Apportioned charges	1,950	5.16	24.73	0	500
Public relations and entertainment fees	2,422	11.38	32.20	0	566
Donations	2,238	6.45	22.13	0	500
<b>Entrepreneur level</b>					
College degree	3,036	0.48	0.50	0	1
LPC deputy	3,036	0.21	0.40	0	1
LPPCC committee member	3,036	0.27	0.45	0	1
CCP membership	3,036	0.38	0.49	0	1
Democratic party membership	3,036	0.04	0.20	0	1
Former government official	3,036	0.12	0.32	0	1

*Source:* Survey on Privately Owned Enterprises in China, 2006 (see Appendix).

*Note:* The unit for all financial variables is 10,000 RMB yuan.

**Table 2 Postmatch Comparison (Baseline Model)**

Outcome Variables	Diff.	T-stat	Industry
Bank loans (10,000 yuan)	(363.8)**	2.26	Yes
Burdens (10,000 yuan)	(11.1)***	2.72	Yes
SOE acquisition (1 = yes; 0 = no)	(0.05)***	3.23	Yes
Bank loans (10,000 yuan)	(289.3)*	1.79	No
Burdens (10,000 yuan)	(3.34)	0.80	No
SOE acquisition (1 = yes; 0 = no)	(0.04)***	2.37	No

*Notes:* \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.

The results in the first three rows are based on exact matching on industries.



**Table 3 Covariate Imbalance Test**

Variable	Sample	Mean		Diff.	% Bias	T-stat
		Treated	Control			
Employment	Unmatched	329.24	92.027	237.21***	40.9	11.98
	Matched	329.24	297.73	31.51	5.4	1.14
CCP	Unmatched	0.45	0.34	0.11***	22.2	6.05
	Matched	0.45	0.47	-0.02	-4.4	-1.08
Democratic party	Unmatched	0.08	0.02	0.06***	28.4	8.15
	Matched	0.08	0.07	0.01	1.5	0.3
Former official	Unmatched	0.13	0.11	0.02**	7.2	1.96
	Matched	0.13	0.15	-0.02	-5.6	-1.32
Education	Unmatched	0.54	0.44	0.10***	19.4	5.26
	Matched	0.54	0.56	-0.02	-4.2	-1.04

Note: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.

**Table 4 Comparison Treating LPC and LPPCC Separately**

Outcome Variables	Treatment	Diff.	T-stat	Industry
Bank loans (10,000 yuan)	LPC	(612.53)***	2.57	Yes
Burdens (10,000 yuan)	LPC	(14.61)***	2.59	Yes
SOE acquisition (1 = yes; 0 = no)	LPC	(0.08)***	3.96	Yes
Bank loans (10,000 yuan)	LPPCC	(234.1)*	1.67	Yes
Burdens (10,000 yuan)	LPPCC	(8.91)**	2.35	Yes
SOE acquisition (1 = yes; 0 = no)	LPPCC	(0.03)*	1.77	Yes

Notes: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.  
The results in the first three rows are based on exact matching on industries.

**Table 5 Comparison Based on Multiple Matching (N = 3)**

Outcome Variables	Diff.	T-stat	Industry
Bank loans (10,000 yuan)	(363.2)***	2.58	Yes
Burdens (10,000 yuan)	(8.5)**	2.19	Yes
SOE acquisition (1 = yes; 0 = no)	(0.05)***	3.78	Yes

Notes: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.  
Results are based on exact matching on industries.

**Table 6 Comparison Using Percentile as the Dependent Variable**

Outcome Variables	Treatment	Diff.	T-stat	Industry
Bank loans (10,000 yuan)	Delegates	(7.8)***	3.42	Yes
Burdens (10,000 yuan)	Delegates	(5.2)***	2.59	Yes
Bank loans (10,000 yuan)	LPC	(9.5)***	3.18	Yes
Burdens (10,000 yuan)	LPC	(6.3)***	2.60	Yes
Bank loans (10,000 yuan)	LPPCC	(7.2)***	2.86	Yes
Burdens (10,000 yuan)	LPPCC	(5.0)**	2.18	Yes

Notes: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.  
Results are based on exact matching on industries.

**Table 7 Comparison Using Binary Dependent Variables**

Outcome Variables	Diff.	T-stat	Industry
Bank loans (1 = yes; 0 = no)	(0.098)***	3.44	Yes
Burdens (1 = yes; 0 = no)	0.017	0.80	Yes

Notes: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.  
Results are based on exact matching on industries.

**Table 8 Comparison in Three Types of Burden Expenditures**

Outcome Variables	Diff.	T-stat	Industry
Apportioned charges	(2.59)*	1.67	Yes
Public relations and entertainment fees	(4.48)*	1.93	Yes
Donations	(5.68)***	3.55	Yes

Notes: \* significant at 10 percent; \*\* significant at 5 percent; \*\*\* significant at 1 percent.  
Results are based on exact matching on industries.

**Table 9 OLS Analysis of Firm Behaviors**

	Model (1)	Model (2)	Model (3)
	Bank Loans	Burden Expenditures	SOE Acquisition
Delegate	198.113*	9.283***	0.047***
1 = yes; 0 = no	(112.07)	(2.65)	(0.01)
Number of employees	1.671***	0.024***	0.000***
	(0.41)	(0.01)	(0.00)
CCP membership	204.129**	1.945	0.014
1 = yes; 0 = no	(87.34)	(2.85)	(0.01)
Democratic party membership	204.005	9.090	0.049
1 = yes; 0 = no	(284.94)	(8.16)	(0.03)
College	223.012**	10.055***	0.013
1 = yes; 0 = no	(101.00)	(2.33)	(0.01)
Former official	-98.708	2.195	0.014
1 = yes; 0 = no	(83.59)	(4.08)	(0.02)
Constant	-36.907	6.148	0.052**
	(205.67)	(4.75)	(0.02)
R-squared	0.176	0.136	0.044
N. of cases	2,437	1,691	2,760

Notes: \*  $p < 0.10$ ; \*\*  $p < 0.05$ ; \*\*\*  $p < 0.01$ .

Robust standard errors are in parentheses.

Industry fixed effects are controlled but omitted from the table.